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ANNUAL  
REPORT

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1975

NOTICE OF MEETING  
INFORMATION CIRCULAR

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FOR THE YEAR ENDED DECEMBER 31, 1975

**DIRECTORS**

M. P. CONNELL	-	-	-	-	-	-	-	Toronto, Ontario
D. J. HAINS	-	-	-	-	-	-	-	Toronto, Ontario
I. F. T. KENNEDY	-	-	-	-	-	-	-	Toronto, Ontario
J. C. LAMACRAFT	-	-	-	-	-	-	-	Toronto, Ontario
A. C. MOSHER	-	-	-	-	-	-	-	Toronto, Ontario

**OFFICERS**

M. P. CONNELL	-	-	-	-	-	-	-	President
J. C. LAMACRAFT	-	-	-	-	-	-	-	Executive Vice-President and Secretary-Treasurer
I. F. T. KENNEDY	-	-	-	-	-	-	-	Vice-President
W. STEUERMAN	-	-	-	-	-	-	-	Assistant Secretary-Treasurer

**HEAD OFFICE**

SUITE 1010, 85 RICHMOND STREET WEST  
Toronto, Ontario

**TRANSFER AGENT  
AND REGISTRAR**

NATIONAL TRUST COMPANY, LIMITED  
Toronto, Ontario

**AUDITORS**

THORNE RIDDELL & Co.  
Toronto, Ontario

**BANKERS**

THE ROYAL BANK OF CANADA  
Toronto, Ontario

**SOLICITORS**

LANG, MICHENER, CRANSTON, FARQUHARSON & WRIGHT  
Toronto, Ontario

**ANNUAL MEETING**

June 30, 1976  
The Adelaide Room, Hotel Toronto  
145 Richmond Street West  
Toronto, Ontario

# Chimo Gold Mines Limited

Suite 1010  
85 Richmond Street West  
Toronto, Ontario  
M5H 2G1

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To the Shareholders:

Notice is hereby given that the Annual Meeting of the Shareholders of Chimo Gold Mines Limited will be held at the Adelaide Room, Hotel Toronto, 145 Richmond Street West, Toronto, Ontario, on Wednesday, June 30, 1976, at the hour of 11:30 o'clock in the forenoon, for the following purposes:—

1. To receive the annual report of the directors.
2. To receive the financial statements of the Corporation for the year ended December 31, 1975, together with the auditors' report thereon.
3. To elect directors.
4. To appoint auditors and to authorize the directors to fix their remuneration.
5. To transact such other business as may properly come before the meeting.

By order of the Board of Directors,

J. C. LAMACRAFT,  
Secretary

Dated June 3, 1976,  
Toronto, Ontario.

See Pages 5, 6 and 7 for Information Circular

# Chimo Gold Mines Limited

## *Report of the Directors*

To the Shareholders,  
Chimo Gold Mines Limited.

Your Directors submit the 31st Annual Report on the affairs of your Company, including the audited financial statements, for the year ended December 31, 1975.

Income received from the Iron Bay Trust in 1975 amounted to \$406,200 and was derived from a royalty on production of iron ore pellets from The Steel Company of Canada's Griffith Mine, located near Red Lake in the Province of Ontario. The lease agreement between the Iron Bay Trust and Stelco provides for escalation of the royalty rate proportionately with increases in the price of iron ore pellets. During 1975 the royalty rate was increased from 64.5 cents to 74.9 cents per ton, and in early 1976 the royalty rate was further increased to 80.0 cents per ton.

During the year, the Company abandoned its option on 53 claims in the Sturgeon Lake area, Province of Ontario.

During 1975 and in early 1976, the Company participated with Conwest in two developments that will have a significant effect on the Company's future. Each of these developments supports our goal of continued participation in a significant level of natural resource exploration. These two ventures are more fully described below.

### THE CONWEST CANADIAN URANIUM EXPLORATION JOINT VENTURE

During the past year, Conwest organized the Conwest Canadian Uranium Exploration Joint Venture. The Joint Venture participants are Conwest, Eldorado Nuclear Ltd. (a Canadian Crown corporation), Empresa Nacional Del Uranio, S.A. (a Spanish company), Electrowatt Limited (a Swiss company) and Central Electricity Generating Board (a British Agency). This Joint Venture will operate in Canada for a period of five years with an annual budget of \$1,500,000.

Each of the five participants will contribute 20% of the annual budget and each has a 20% interest in the Joint Venture. The agreement provides for designation of projects as Specific Projects and provides for financing over and above the annual budget in certain circumstances. Pursuant to the agreement, Eldorado

Nuclear Ltd. has the right to purchase an additional 30% equity in Specific Projects on a pro rata basis from the other four participants. Conwest, as Manager, is entitled to a 3% royalty on the gross value of any production accruing to the Joint Venture.

Chimo and certain other companies have agreed to participate in Conwest's interest in the Joint Venture. These companies contribute to their pro rata share of Conwest's commitment to the Joint Venture and are entitled to a similar pro rata share of Conwest's entitlements. The distribution of the Conwest interest is as follows:

Conwest Exploration Company Limited .	25%
Consolidated Canadian Faraday Limited	25%
International Mogul Mines Limited .....	25%
Chimo Gold Mines Limited .....	15%
Calmor Iron Bay Mines Limited .....	10%

Conwest has retained Dr. E. F. Evoy to undertake the technical direction of the Joint Venture. Dr. Evoy has devoted most of his career to uranium exploration in Canada, Australia, and the United States of America.

A report on the activities of the Uranium Joint Venture is included with this report.

### CONSORTINA INCORPORATED

Your Company holds 19% of the issued shares of Consortina Incorporated. Consortina is a private company formed to consolidate the interests in the Riverside Lodge (Oakville) Limited and the Jarvis House, acquired by the Conwest Group in October 1974 and August 1975, respectively. The policy of Consortina is to acquire and develop properties providing a mixture of unique dining, accommodation and entertainment concepts. Recently, Consortina has purchased the Ports of Call restaurant in Toronto, on Yonge Street south of St. Clair Avenue, and the Ascot Inn, located on Rexdale Boulevard near Highway 27 in Etobicoke, Ontario. The aggregate cost of these four properties is approximately \$6,500,000. A further \$1,500,000 will be spent on extensive renovations and refurbishing of the Ports of Call and the Ascot Inn during 1976. The source of financing of these acquisitions and subsequent improvements is through vendor mortgages of \$2,800,000, a \$4,000,000 five and one-half year

term loan through The Royal Bank of Canada guaranteed by the Conwest Group, and additional loan financing available from the Conwest Group.

Sales revenue and operating profits from the Jarvis House since acquisition in August of 1975 have met projections. The Riverside Lodge in Oakville, which opened in late November 1975 after a twelve-month period of renovations and redecorating, is now operating at optimum levels of sales and profits.

#### GENERAL EXPLORATION

During the year, your Company, with Conwest Exploration Company Limited and its associates, participated in exploration expenditures as follows:

Chimo Gold Mines Limited .....	336,000
Conwest Exploration Company Limited .....	1,105,000
Calmor Iron Bay Mines Limited .....	\$ 233,000
Consolidated Canadian Faraday Limited .....	54,000
	<hr/>
	\$1,728,000

Expenditures by others on projects in which Chimo has an interest were approximately \$800,000.

Total exploration exposure was \$2,528,000.

In December 1975, the Conwest Group concluded an agreement with Consolidated Canadian Faraday Limited that includes Faraday as a full participant in the general exploration activities of the Conwest Group for a minimum period of three years. In order to gain an interest

in the continuing exploration of properties acquired by the Group during 1975, Faraday purchased at cost 25% of the Group's interest in those properties.

The inclusion of Faraday as a participant, combined with a re-evaluation of the financial ability of the Conwest Group companies to contribute to exploration, necessitated a restructuring of the levels of participation by the members of the Group. As a consequence of the agreement, the four companies will participate in the 1976 exploration programme as follows:

Conwest Exploration Company Limited . 30%  
Chimo Gold Mines Limited ..... 27%  
Calmor Iron Bay Mines Limited ..... 18%  
Consolidated Canadian Faraday Limited 25%

The aggregate expenditure by the Conwest Group and Faraday on exploration for 1976 is budgeted for \$1,500,000.

The report of Mr. C. K. O'Connor, Vice-President, Exploration and Development, for Conwest, is included with this report.

#### DIRECTORS

Mr. Charles R. Elliott retired from the Board of Directors in March of 1976. Mr. Elliott has served as a Director of your Company since 1971, and the Board wishes to record its appreciation for his services.

On Behalf of the Board,

MARTIN P. CONNELL,  
President.

Toronto, Ontario,  
June 3, 1976.

## Report on Exploration

The following summarizes some of the more significant mineral exploration projects in which your Company participates. They are divided into two groups reflecting the varying interests of the participants.

### GROUP I – Conwest 66½%, Chimo 20%, Calmor 13½%

a) The Conwest Group holds a 51% interest in a joint venture with Essex Minerals Company (formerly U.S. Steel Western Hemisphere Inc.) in the exploration of a large claim group northwest of the Anvil-Vangorda area of the Yukon. Extensive gridding, geophysical surveys and geological mapping and limited soil sampling were completed in 1975. Completion of the geophysical surveys and soil sampling is under way. The area is considered highly promising for Anvil type mineralization.

b) Brascan Resources Limited of Calgary as Operator continued evaluation of the Yava Syndicate claim holdings in the Hackett River area of the Northwest Territories in which the Conwest Group retains a 22½% interest. No significant new mineralization was discovered during 1975. Additional drilling will be required to determine the ultimate potential of the discovery zone located in 1974.

c) Exploration continued on several claim groups adjacent to Patino Mines (Quebec) Limited's new Lemoine mine in the Chibougamau area of Quebec. These claims are held in a joint venture initiated in 1974 with Muscocho Explorations Limited (40%) and work during 1975 included 1707 feet of diamond drilling. Results were not encouraging.

### GROUP II – Conwest 30%, Chimo 27%, Calmor 18%, Faraday 25%.

a) Conwest is managing a joint venture with Getty Mining Northeast Limited (50%) to evaluate a volcanic belt southeast of Moosonee, Ontario utilizing an airborne and ground geophysical approach. This project commenced in March 1975, and the joint venture currently holds 798 claims in the area of interest. Diamond drilling of selected targets is planned for 1976.

b) Two other projects similar to the above over smaller areas in Ontario are continuing. One anomaly was tested by diamond drilling early this spring with negative results.

c) Early in 1976 Conwest undertook a major property acquisition programme in the Bathurst area of New Brunswick as a prelude to a concerted exploration effort in this prolific base-metal producing camp. Consideration is being given to seeking joint venture partners interested in taking a long term approach to a re-evaluation of this area where several new discoveries were made during 1975.

d) In the fall of 1975 Conwest optioned 45 claims north of Red Lake, Ontario covering a previously untested asbestos occurrence. Magnetometer surveys and diamond drilling from the lake ice were carried out early in 1976. Results failed to indicate continuity of the better quality fibre and the option will be terminated.

Numerous other property examinations and technical evaluations were carried out in various parts of Canada.

Respectfully submitted,  
C. K. O'CONNOR  
Vice-President, Exploration and Development  
Conwest Exploration Company Limited

## Report on the Conwest Canadian Uranium Exploration Joint Venture

The Joint Venture is currently exploring properties that aggregate approximately 480,000 acres. This includes 388,000 acres along the southern edge of the Athabasca Basin in Saskatchewan, leases and exploration rights in the Blind River area of Ontario, and claims in the Berard Lake area of Quebec and the Portland Canal area of Newfoundland.

In Saskatchewan the Department of Mineral Resources is a partner and contributes its share of exploration costs. The 1975 field programme commenced in August and was limited to partial surface prospecting and lake sediment geochemical surveys. In early 1976, approximately 250 rotary holes were drilled through the overburden to define the contact between the Athabasca sandstone and the Wollaston Lake fold belt, to determine the thickness of the overburden, and to obtain samples for heavy mineral analyses. Exploration of this large property has resumed for the summer season, and will consist of completion of the surface prospecting and lake sediment geochemical surveys, plus an airborne geophysical survey measuring magnetic, VLF electromagnetic and spectrometric response.

The Blind River project is subject to an exploration agreement with Lacana Mining Corporation and Driftex Limited. During the past winter four diamond drill holes totalling some 11,400 feet were drilled. No ore was encountered and the results are being evaluated.

The Quebec and Newfoundland claims are held solely by the Joint Venture and preliminary exploration of both properties is planned for the coming field season.

Reconnaissance exploration will be carried out in Ontario, Quebec, British Columbia, the Northwest Territories and the Maritime Provinces during the 1976 field season.

Respectfully submitted,  
Dr. E. F. EVOY  
Technical Director  
Conwest Canadian Uranium Exploration Joint Venture

# Chimo Gold Mines Limited

## INFORMATION CIRCULAR

### Solicitation of Proxies

This statement is furnished by the management of Chimo Gold Mines Limited, hereinafter called the "Corporation", in connection with the solicitation of proxies for use at the Annual Meeting of the Shareholders of the Corporation to be held on Wednesday, June 30, 1976, at the Adelaide Room, Hotel Toronto, 145 Richmond Street West, Toronto, Ontario, at 11:30 o'clock in the forenoon, for the purposes set out in the accompanying notice of meeting.

Solicitation is being made by mail, which may be supplemented by telephone or other personal contact, to be made without special compensation by officers and employees of the Corporation. The Corporation will bear all expenses in connection with the solicitation of proxies but the Corporation will not reimburse shareholders, nominees or agents for any costs incurred in obtaining from their principals instruments of proxy or authorization to execute such proxies.

IN THE EVENT OF YOUR NOT BEING PRESENT AT THE ANNUAL MEETING, THE MANAGEMENT OF THE CORPORATION SOLICITS YOUR PROXY AND YOU ARE REQUESTED TO FILL IN, DATE, SIGN AND RETURN THE ENCLOSED INSTRUMENT OF PROXY.

The shares represented by such proxy will be voted at the meeting and, where a choice with respect to any matter to be acted upon has been specified in the proxy, the shares, subject to The Business Corporations Act, Ontario, will be voted in accordance with the specification so made. WHERE NO CHOICE IS SPECIFIED WITH RESPECT TO ANY MATTER, THE SHARES SO REPRESENTED WILL BE VOTED IN FAVOUR OF SUCH MATTER.

### Revocability of Proxy

Any proxy given by a registered shareholder may be revoked by notice in writing executed by the shareholder or his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized and deposited either at the head office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of the Annual Meeting on the day of the meeting or adjournment thereof which shall be a valid revocation of such proxy, except as to any matter in which a vote may already have been cast pursuant to the authority conferred by such proxy.

### Voting Shares and Principal Holders Thereof

The authorized capital of the Corporation is 5,000,000 shares with a par value of \$1 each, all of which carry one vote, and of which 3,371,086 shares are issued and outstanding as fully paid and non-assessable. Only shareholders of record on June 30, 1976, the date of the Annual Meeting, are entitled to vote thereat. The registered holders of all issued shares are entitled at the Annual Meeting to one vote for each share held.

To the knowledge of the directors and senior officers of the Corporation, the following are the only shareholders beneficially owning, directly or indirectly, 10% or more of the issued and outstanding shares of the Corporation.

Name	Approximate Number of Shares Beneficially Owned	Percentage of Outstanding Shares
Calmor Iron Bay Mines Limited .....	500,000	14.8
Central Patricia Gold Mines, Limited .....	1,000,000	29.7

### Election of Directors

The board of directors consists of five directors who are elected at the Annual Meeting to serve until the next Annual Meeting or until their successors are elected or appointed. It is intended to vote the shares represented by the proxies received pursuant to this solicitation by management for the election of the five nominees who are listed below. In the event that any vacancy occurs in the slate of nominees submitted herewith, which is not anticipated, it is intended that the persons named in the accompanying instrument of proxy reserve the right to vote for another person of their choice in place of the nominee who is unable to serve as a director. The names and pertinent information with respect to each of the nominees for election as directors as reported by each is shown below, including the date on which each nominee first became a director of the Corporation:

Proposed Nominees	Principal Occupation or Employment	Director From	Number of Corporation Shares Beneficially Owned
Martin P. Connell	President, Conwest Exploration Company Limited, a mining exploration company	December 13, 1971	1
Donald J. Hains	For the past five years President of Lurgi Canada Limited	June 3, 1976	—
Ian F. T. Kennedy	Vice-President, Conwest Exploration Company Limited	June 28, 1973	1
John C. Lamacraft	Executive Vice-President and Secretary-Treasurer, Conwest Exploration Company Limited	June 28, 1973	1
Alexander C. Mosher	Director, Chimo Gold Mines Limited	March 20, 1958	5,201

To the knowledge of the directors and officers of the Corporation, the following nominees together with associates as defined in The Business Corporations Act, Ontario, hold 10% or more of the issued and outstanding shares of the Corporation.

M. P. Connell ..... 1

Associate:

Central Patricia Gold Mines, Limited ..... 1,000,000

I. F. T. Kennedy ..... 1

Associate:

Central Patricia Gold Mines, Limited ..... 1,000,000

### Remuneration of Directors and Senior Officers

Aggregate direct remuneration paid to directors and senior officers (as defined by The Business Corporations Act) during the year amounted to \$16,600.

Central Patricia Gold Mines, Limited pays substantially all the remuneration of directors and senior officers of certain related companies (the Conwest Group) and is reimbursed by these companies for their proportionate share. During the year, Chimo's share of the amounts so paid was \$46,000.

#### **Interest of Management and Others in Material Transactions**

In August 1975 the corporation, together with two affiliated companies, purchased substantially all the assets of the Jarvis House (Toronto) Limited as a going concern for a total consideration of \$895,000. The corporation purchased a 20% interest in the assets and paid a similar proportion of the consideration. Mr. M. P. Connell, an Officer, Director, and Shareholder of the corporation, beneficially owned 50% of the issued shares of Jarvis House (Toronto) Limited.

#### **Appointment of Auditors**

It is proposed that Thorne Riddell & Co., Chartered Accountants, the present auditors, be reappointed as auditors of the Corporation, to hold office until the next Annual Meeting of shareholders at a remuneration to be fixed by the board of directors of the Corporation. Thorne Riddell & Co. have been the auditors of the Corporation for more than five years.

#### **Other Business**

The management of the Corporation is not aware of any matters to be presented for action at the meeting other than those listed in the notice of meeting. However, if other matters properly come before the meeting, it is the intention of the persons named in the accompanying instrument of proxy to vote the said proxies in accordance with their best judgment on such matters.

By Order of the Board of Directors,

J. C. LAMACRAFT,  
Secretary.

DATED June 3, 1976,  
Toronto, Ontario.

# Chimo Gold

(Incorporated under)

## Balance Sheet as at

### ASSETS

#### Current Assets

	1975	1974
Cash and short-term deposits .....	\$ 42,471	\$ 204,508
Royalty receivable .....	100,000	90,000
Accounts receivable .....	10,095	10,107

	1975	1974
	<u>152,566</u>	<u>304,615</u>

#### Investments in Mining Companies and Properties

Shares with a quoted market value, at cost (quoted market value 1975 — \$702,789; 1974 — \$830,830) .....	794,654	905,791
Units of The Iron Bay Trust, at cost less accumulated amortization of \$80,783 (1974 — \$69,009) (quoted market value 1975 — \$4,750,000; 1974 — \$4,200,000) .....	274,109	285,883
Other shares, at cost less amounts written off .....	2	2
Mining properties together with expenditures thereon, at cost less amounts written off (note 2) .....	202,279	594,600
Machinery and equipment, at nominal value (1974 at estimated realizable value) .....	1	37,912

	1975	1974
	<u>1,271,043</u>	<u>1,824,188</u>
	<u>174,800</u>	

#### Investment in Jarvis House, at cost (note 3) .....

#### Other Investments, at cost

Shares .....	6,000	6,000
Advances .....	158,475	164,475
	<u>46,250</u>	<u>48,750</u>
	<u>\$1,809,134</u>	<u>\$2,183,553</u>

### AUDITORS

To the Shareholders of  
Chimo Gold Mines Limited

We have examined the balance sheet of Chimo Gold Mines Limited as at December 31, 1975 and the statements of income and deficit and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Canada  
April 9, 1976.

# Mines Limited

*(Under the laws of Ontario)*

December 31, 1975

		LIABILITIES	
		1975	1974
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities .....		\$ 8,546	\$ 93,652

## SHAREHOLDERS' EQUITY

### Capital Stock

Authorized			
5,000,000 Shares, par value \$1 each			
Issued			
3,371,086 Shares .....		3,371,086	3,371,086
Less discount .....		1,212,167	1,212,167
		2,158,919	2,158,919
<b>Deficit</b> .....		<b>358,331</b>	<b>69,018</b>
		<b>1,800,588</b>	<b>2,089,901</b>

Commitments (note 6)

Contingent liability (note 7)

On behalf of the Board:

M. P. CONNELL, Director  
J. C. LAMACRAFT, Director

\$1,809,134	\$2,183,553
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## EPORT

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1975 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE RIDDELL & CO.  
Chartered Accountants

# Chimo Gold Mines Limited

## STATEMENT OF INCOME AND DEFICIT Year Ended December 31, 1975

	<b>1975</b>	<b>1974</b>
<b>Income from investments</b>		
Royalties .....	\$ 406,200	\$ 334,600
Dividends and interest .....	32,371	62,508
Gain on sale of investments .....	28,322	85,212
Other .....	21,859	
	<b>488,752</b>	482,320
<b>Expenses</b>		
General exploration and administrative together with the cost of current and prior years' direct exploration and development expenditures on mining claims and properties which were abandoned during the year	713,749	209,012
Corporate .....	14,631	13,275
Amortization of investment in The Iron Bay Trust .....	11,774	12,172
	<b>740,154</b>	234,459
<b>Income (loss) before undernoted items</b> .....	<b>(251,402)</b>	247,861
Share of earnings of Calmor Iron Bay Mines Limited .....		14,450
<b>Income (loss) before extraordinary items</b> .....	<b>(251,402)</b>	262,311
Extraordinary items		
Gain on sale of shares of Calmor Iron Bay Mines Limited .....		316,968
Write-down of other shares to nominal value .....		(259,738)
Write-down of machinery and equipment to nominal value .....	37,911	57,230
	<b>37,911</b>	<b>57,230</b>
<b>Net income (loss) (note 4)</b> .....	<b>(289,313)</b>	319,541
<b>Deficit at beginning of year</b> .....	<b>69,018</b>	388,559
<b>Deficit at end of year (note 5)</b> .....	<b>\$ 358,331</b>	\$ 69,018
Earnings (loss) per share		
Before extraordinary items .....	\$ (.075)	\$ .078
After extraordinary items .....	<b>\$ (.086)</b>	<b>\$ .095</b>

# Chimo Gold Mines Limited

## STATEMENT OF CHANGES IN FINANCIAL POSITION Year Ended December 31, 1975

	<u>1975</u>	<u>1974</u>
<b>Working capital derived from</b>		
Income from investments .....	\$ 488,752	\$ 482,320
Share of earnings of Calmor Iron Bay Mines Limited .....		14,450
Reduction in mortgage from a director .....	2,500	
Sale of shares with a quoted market value .....	830,473	897,091
Gain on sale of shares of Calmor Iron Bay Mines Limited .....		316,968
	<u>1,321,725</u>	<u>1,710,829</u>
<b>Working capital applied to</b>		
Exploration and development of mining claims including general exploration and administrative costs .....	336,059	268,039
Investment in Jarvis House .....	174,800	
Purchase of shares with a quoted market value .....	719,336	1,312,009
Other investments and shares (net) .....	158,473	6,000
Mortgage from a director .....		48,750
	<u>1,388,668</u>	<u>1,634,798</u>
<b>Increase (decrease) in working capital .....</b>	<b>(66,943)</b>	<b>76,031</b>
<b>Working capital at beginning of year .....</b>	<b>210,963</b>	<b>134,932</b>
<b>Working capital at end of year .....</b>	<b>\$ 144,020</b>	<b>\$ 210,963</b>

## NOTES TO FINANCIAL STATEMENTS

**Year Ended December 31, 1975**

### **1. Summary of Significant Accounting Policies**

#### (a) Exploration and Development and Property Acquisition Costs

The company's policy is to write off all general exploration expenditures as incurred and to capitalize the direct costs of acquisition and expenditures on mining properties which were in good standing at the year. Upon disposal or abandonment of such interest, the net gain or loss is reflected in the statement of income and deficit.

#### (b) Investment in The Iron Bay Trust

The Iron Bay Trust owns an 80% interest in a producing mining property which is leased to The Steel Company of Canada, Limited until April 30, 2040. The company has a 39.1% interest in the Trust, represented by 1,000,000 trust units. Since royalties are received on a unit of production basis, it is the company's policy to amortize its investment on this basis over total estimated production.

### **2. Mining Properties Together with Expenditures Thereon**

Balance at beginning of year .....	\$594,600
Add current year's expenditures .....	133,283
	727,883
Deduct expenditures charged to operations .....	525,604
Balance at end of year .....	<u>\$202,279</u>

### **3. Investment in Jarvis House**

The company, Conwest Exploration Company Limited and Calmor Iron Bay Mines Limited acquired substantially all of the net assets of the Jarvis House (Toronto) Limited for a cash consideration of \$874,000 in August, 1975. The companies have entered into an agreement to transfer, subject to regulatory approval, these assets to Consortina Incorporated effective January 1, 1976 at net book value. The company indirectly holds a 19% interest in Consortina at December 31, 1975.

The company's proportionate share of the income of the Jarvis House for the period in which it held a direct interest in these assets was \$18,859. This amount has been included in the statement of income and deficit as other investment income.

### **4. Income Taxes**

No provision for income taxes has been made in the accounts for 1975 and 1974 as exploration and development expenditures available for tax purposes have been applied to eliminate income taxes otherwise payable. At December 31, 1975, the company has additional expenditures and losses available to reduce future years' taxable income amounting to approximately \$1,700,000.

### **5. Anti-Inflation Act**

The company is subject as a public company to the Anti-Inflation Act with respect to dividends to its shareholders.

### **6. Commitments**

(a) Pursuant to an agreement dated December 1, 1975, the company, Conwest, Calmor and Consolidated Canadian Faraday Ltd. agreed to expend in total up to \$1,500,000 annually in the three years ending December 31, 1978 on certain non-hydrocarbon exploration projects. The company has agreed to contribute 27% of the amount to be expended on these projects.

(b) The company also agreed on April 25, 1976 to participate in a uranium exploration joint venture which Conwest formed on March 18, 1976. Under the joint venture agreement, Conwest and each of the original members of the joint venture agreed to contribute \$300,000 per year in the years 1976 to 1979 inclusive and \$200,000 in 1980, subject to an upward adjustment to the extent that the Consumer Price Index for Canada increases. The amount which the company has agreed to contribute is 15% of Conwest's commitment to the joint venture.

### **7. Contingent Liability**

The company together with Conwest and Calmor entered into an agreement in March, 1976 to guarantee jointly and severally a bank line of credit to a maximum of \$4,000,000 for Consortina Incorporated (see note 3).

### **8. Comparative Figures**

The 1974 figures, included for comparative purposes, have been reclassified to conform with the financial statement presentation adopted for 1975.

### **9. Remuneration of Directors and Senior Officers**

Aggregate direct remuneration paid to directors and senior officers (as defined by The Business Corporations Act) during the year amounted to \$16,600 (1974 - \$7,500).

Central Patricia Gold Mines, Limited pays substantially all of the remuneration of directors and senior officers of the company and certain other companies in the Conwest Group and is reimbursed by these companies for their proportionate share. The company's share of the amounts so paid was \$46,000 (1974 - \$42,320).





Printed in Canada.